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ACCOUNTING

X- E4-55

## OFFICIAL DISPATCH

DISPATCH NO.

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TO [REDACTED]

ATTN FROM [REDACTED]

SUBJECT GENERAL Administrative  
SPECIFIC Financial Property Accounting

DATE [REDACTED]

21 Dec 56

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REFERENCES: [REDACTED]

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Date:	[REDACTED] By: 35

**VOID**

1. During my recent trip to the PX area, field officials expressed great concern over the workload imposed by Financial Property Accounting and the unsuccessful machine operation of that system. I think we agree that financial accountability for property, as a principle, is a must, representing one of the most important features in financial management improvement. Our point of present difficulty is the method or procedure by which that principle will be accomplished. [REDACTED] today cannot function on a cash accounting system as it has in the past, but has accepted on a policy the current day commercial principles of accrual accounting. What is spent in cash is becoming less of a management tool, both in business and [REDACTED], than a system of accrued costs. With the large inventories now on hand, money is not our only asset to spend. Of course, since the major, and, in most instances, the sole source of income is appropriations, we must retain a budgetary system of allotments and expenditures too, but integrated in an accrual accounting aimed at costs. Legislation has been enacted directing that as soon as practicable every agency develop an accrual accounting system, which would include adequate monetary property accounting records as an integral part of the system, with a view toward cost-based budgets. Essential to accrual accounting and cost-based budgets is an appropriate method for recording property transactions in the financial accounting records.

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2. With financial accountability for property as a principle here to stay, we must develop adequate procedures to accomplish that principle. The existing procedure prescribed in [REDACTED] is time consuming but it provides the field chief effective management tools for inventory control and costs. Coupled with Property Authorization Control or its equivalent he would have a device to review total charges of an operation against those planned and approved. Allotment charges may represent only a small segment

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of costs when large quantities of material are drawn from stocks on hand,  
procured [REDACTED], or requisitioned from headquarters.

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3. I have participated in series of meetings recently held with the Acting Comptroller and the Director of Logistics, and technical experts of their offices. In addition, [REDACTED] was here to participate and exposed his problems and ideas. The first conclusion reached was that no system to accomplish financial property accounting can be devised that does

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[REDACTED]

a. The property categories to be eliminated from application of Financial Property Accounting Procedures as set forth in paragraph 2a(1) of the summary will be incorporated under paragraph 1, Chapter I, of the handbook.

b. The suspense account provided for in 2a(3) of the summary is not provided for in your draft of the revised handbook.

c. The provision for elimination of the material in transit as provided for in paragraph 2a(5) of the summary has not been incorporated in your draft of the handbook.

d. The provisions in the revised handbook, page 29, chapter VI, paragraph 2a(6) for a report of losses to property in use will be deleted from the handbook inasmuch as it has been determined that the requirement for submitting such a report should be deferred at least for the present.

4. In order to permit immediate benefits in your area from the simplifications enumerated in the summary, the Station is authorized to implement any or all of the changes referred to at this time. A separate dispatch is being forwarded to the Station from the Acting Comptroller relative to the elimination of the monthly Schedule E-1 - "Cash Disbursements for Property Acquisitions".

/The Station is

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5. The Station is authorized to implement day to all of the changes noted above. None of us except the revised TPA and property authorization control procedures as the ultimate, either as to simplification or as the most effective management tool. The ideal is to combine in a single procedure the requirements for controlling cash allotted to projects and activities as well as the authority to utilize property resources from inventories. We desire to control uses of Agency resources (as differentiated from expenditures) in a single account -- call it allotment, allocation or limitation. With our present annual appropriation authority we cannot now do that because we cannot give an allocation to a project for money and supplies and at the same time give an allocation to LOGISTICS for procurement of the required supply items. For example:

Project X is approved for \$100.00 (it is anticipated that \$70.00 is required for salaries and \$30.00 for supplies). We now allot to the project \$70.00, to Logistics \$30.00. We cannot allot \$100.00 to the project and also \$30.00 to logistics because that would exceed appropriation authority. On the otherhand, if every procurement action is charged directly to the project there would be no provision for stockpile, long lead times, etc. If, however, we had a separate fund (such as the [REDACTED] stock fund) for maintenance of an organization stock level, we could allocate to the project the entire \$100.00 and the project would "buy" from Logistics the supplies, based on issues to the project, thus recording the costs in the project allocation account, and reimbursing Logistics to replenish its inventory. Through the allocation account of \$100.00 the Station would have a record of all costs, money and property, in a single account against a single allocation, and it would be a more effective control device than the present allotment account.

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We do not intend to implement the Property Authorization Control procedure this fiscal year but will try to get appropriate authority for a "stock fund" effective for FY 1978 and then implement a single integrated system of accounts. We could not, however, hope to get a stock fund without having in operation some system of financial accountability for property which would support in our records the values of our inventories and the distribution of costs.

6. Regardless of the system, acquisition and issue of documents for supply transactions must flow through a Finance Officer, with the resultant additional work. If, however, [REDACTED] will, in fact, have no inventories other than small issue rooms, as implied in the reference, then PPA is not appropriate to the Bases and, in turn, accountability has no place in [REDACTED]. The Bases probably

/should be "detached"

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should be "Detached Stations" with accountability at headquarters, obviating the need for NSA which now follows accountability. It is my desired objective to establish Financial Property Accounting procedures in every Station. A Station where property accountability is maintained, including [REDACTED]. Then, and only then, will we have an organization-wide picture of assets and costs, notwithstanding that at some points the effort expended may appear to station personnel to be more beneficial to headquarters than to the station.

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7. I urge that you consider these principles in the light of our ultimate objectives and bear with us while we are earnestly endeavoring to provide, through financial accounts, the results which I believe to be one of our most important steps forward in financial management improvement.

8. I believe it will be mutually advantageous to the development of our financial management improvement program to have [REDACTED] come to headquarters for TAS for the week beginning 7 January 1957 for a round table discussion of our program and the means by which it can be accomplished with a minimum additional workload to the field. Please advise me by [REDACTED] of your concurrence and the itinerary for the TAS.

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ATTACHMENT

L. K. WHITE

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DD/S

(Releasing Officer)

(Coordinating Officer)

(Authenticating Officer)

TAS/FWG/bw (13 Dec. 1956)

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